

**THE OFFICE OF REGULATORY STAFF
SURREBUTTAL TESTIMONY
OF
WILLIE J. MORGAN, P.E.**

MARCH 19, 2010



DOCKET NO. 2009-479-WS

**Application of United Utility Companies,
Incorporated for Adjustment of Rates
and Charges and Modifications to
Certain Terms and Conditions for the
Provision of Water and Sewer Service**

SURREBUTTAL TESTIMONY OF WILLIE J. MORGAN, P.E.

FOR

THE OFFICE OF REGULATORY STAFF

DOCKET NO. 2009-479-WS

IN RE: APPLICATION OF UNITED UTILITY COMPANIES, INCORPORATED

FOR ADJUSTMENT OF RATES AND CHARGES AND MODIFICATIONS TO

CERTAIN TERMS AND CONDITIONS FOR THE PROVISION OF WATER

AND SEWER SERVICE

**Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND
OCCUPATION.**

A. My name is Willie J. Morgan, and my business address is 1401 Main Street, Suite 900, Columbia, South Carolina 29201. I am employed by the South Carolina Office of Regulatory Staff ("ORS") as the Program Manager for the Water and Wastewater Department.

**Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY IN
THIS PROCEEDING?**

A. The purpose of my surrebuttal testimony in this proceeding is to respond to specific portions of rebuttal testimony provided by the following witnesses for United Utility Companies, Inc. ("UUCI"):

1 *UUCI witness Mr. Bruce Haas*

2 I will focus on Mr. Haas' rebuttal testimony related to the ORS adjustment
3 to test year and proposed service revenue, UUCI's failure to provide
4 proper notice of violation issued by the South Carolina Department of
5 Environmental Health and Control ("DHEC") to the ORS and Public
6 Service Commission of South Carolina ("Commission" or "PSC"),
7 convenience fees associated with customer payment options and Bio-
8 Tech's pricing for sludge hauling and disposal.

9 *UUCI witness Ms. Lena Georgiev*

10 I will address Ms. Georgiev's assessment of the ORS adjustment to the
11 test year uncollectibles.

12 *UUCI Witness Mr. John Williams*

13 I will focus on Mr. William's observations regarding the UUCI proposed
14 increase in the customer notification fee and adjustment to the test year
15 uncollectibles.

16 **Q. DID ORS USE THE APPROVED AND PROPOSED RATE SCHEDULES**
17 **TO CALCULATE TEST YEAR AND PROPOSED SERVICE REVENUES?**

18 **A.** Yes. ORS used the UUCI rate schedule approved by the Commission in
19 Order No. 2004-254 and proposed by UUCI in its application. The approved and
20 proposed rate schedules detail how a commercial customer such as North
21 Greenville University ("NGU") will be charged by Single Family Equivalent
22 ("SFE") for monthly sewer service. As noted on page 4 and page 7 of the
23 proposed tariff:

1 A Single Family Equivalent (SFE) shall be determined by using the South
2 Carolina Department of Environmental Control Guidelines for Unit
3 Contributory Loadings for Domestic Wastewater Facilities 25 S.C. Code
4 Ann. Regs 61-67 Appendix A (Supp. 2005), as may be amended from
5 time to time. Where applicable, such guidelines shall be used for
6 determination of the appropriate monthly service and tap fee.
7

8 Mr. Bruce Haas in his rebuttal testimony acknowledges that the method ORS used
9 to adjust the test year and proposed service revenues for UUCI is "technically
10 correct." ORS' application of the PSC approved and UUCI proposed rate
11 schedule to calculate test year and proposed revenue adjustments is accurate and
12 non-discriminatory.

13 **Q. DID UUCI FILE THE NOTICE OF VIOLATION ISSUED BY DHEC ON**
14 **OCTOBER 29, 2009 WITH ORS AND THE PSC IN ACCORDANCE WITH**
15 **26 S.C. CODE ANN. REGS 103-514.C?**

16 A. No. The Notice of Violation ("NOV") issued by DHEC was not provided
17 to either ORS or PSC as required by Commission regulations. As Mr. Haas
18 correctly states in his rebuttal testimony, UUCI provided this information to ORS
19 in response to a request for information on December 17, 2009. However, the
20 consent orders referenced in my direct testimony do predate the revisions to
21 Regulation 103-514(C) which became effective June 26, 2009. (See Revised
22 Exhibit WJM-1 page 3)

23 **Q. BASED ON MR. HAAS' REBUTTAL TESTIMONY REGARDING THE**
24 **ASSESSMENT OF A CONVENIENCE FEE ON CUSTOMERS WHO**
25 **CHOOSE TO PAY THEIR BILL USING A LOCAL PAY STATION,**

1 **PHONE OR INTERNET, DOES ORS NOW AGREE THESE FEES ARE**
2 **REASONABLE?**

3 A. Yes. Mr. Haas clarified that the convenience fee assessed to customers
4 who choose to pay their monthly service bill in a manner other than mailing
5 payment to UUCI will be charged and collected by a third party. Unfortunately,
6 ORS was not aware of the change in customer payment options until March 1st
7 and therefore was unable to review the charges.

8 **Q. WHAT IS YOUR RESPONSE TO MR. HAAS' ASSERTION THAT**
9 **TRANSPORTATION DISTANCE INFLUENCES THE PRICING BIO-**
10 **TECH OFFERS TO ITS CUSTOMERS?**

11 A. UUCI Witness Ms. Georgiev accepted ORS' \$3,255 adjustment to the
12 maintenance and repair expenses which included an adjustment to Bio-Tech
13 pricing to reflect \$0.11/gallon for sludge management. Based on Exhibit WJM-8,
14 Bio-Tech serves customers in Raleigh, NC and Atlanta, GA (Exhibit WJM-8,
15 page 4 of 8 and page 5 of 8). Pricing to those customers located further from the
16 disposal sites of Charlotte, NC and Cayce, SC is less than the \$0.16/gallon
17 charged to the customers of UUCI. In addition, ORS would note that pricing
18 offered to Bio-Tech affiliate, Carolina Water Service, Inc. a Commission
19 regulated utility for transportation provided from its wastewater treatment plant in
20 Sumter, SC is higher than that offered to UUCI customers although the travel
21 distance to the Cayce, SC disposal site is less. Bio-Tech's price list conflicts with
22 Mr. Haas' theory that travel distance affects pricing.

1 **Q. HOW DID ORS CALCULATE UUCI'S UNCOLLECTIBLE ACCOUNT**
2 **ADJUSTMENT?**

3 A. ORS relied upon data provided by UUCI in its application and response to
4 ORS data requests. ORS used actual test year ending December 31, 2008 balance
5 of Bad Debt of (\$8,728) which was provided to ORS by Ms. Georgiev on
6 December 17, 2009. ORS did not compute the allowance for uncollectibles by
7 applying 1.50% as indicated by Ms. Georgiev in her rebuttal testimony. ORS
8 computed the uncollectible percentage by dividing the test year actual
9 uncollectibles by the test year service revenues:

10	Water	$\$506 \div \$48,619 = 1.04\%$
11	Sewer	$\$8,222 \div \$790,474 = 1.04\%$
12		

13 ORS then applied the 1.04% to the proposed water and sewer service revenues to
14 arrive at an uncollectible accounts total of (\$13,503). A water and sewer utility
15 ability to maintain an uncollectible percentage below 1.5% demonstrates it is
16 successfully managing accounts receivable and collection processes.

17 **Q. IS THE UNCOLLECTIBLE PERCENTAGE FOR THE TEST YEAR**
18 **CITED IN MS. GEORGIEV'S REBUTTAL TESTIMONY SUPPORTED**
19 **BY THE BOOKS AND RECORDS OF UUCI?**

20 A. No. ORS is unclear as to what data Ms. Georgiev utilized in her
21 calculation uncollectibles for water and sewer of 5.57% and 4.29%, respectively.
22 Based on the information Ms. Georgiev provided to ORS on December 17, 2009,
23 it appears she relies on uncollectible account balances for 2009. Ms. Georgiev
24 indicated to ORS that the accounting system conversion caused an understatement

1 in the uncollectible accounts for the test year. See Exhibit WJM-9. ORS was
2 unable to substantiate this claim and asserts the use of the actual uncollectible
3 account information for test year ending December 31, 2008 is appropriate.

4 **Q. DID MR. JOHN WILLIAMS DEMONSTRATE THAT THE INCREASE IN**
5 **CUSTOMER NOTIFICATION FEE TO \$24 WAS JUSTIFIED?**

6 A. No. Mr. Williams did not demonstrate in his rebuttal testimony that the
7 administrative and clerical costs associated with sending customer notices are
8 above and beyond the administrative and clerical costs included in its rate
9 increase request or that additional employees are needed or will be hired by UUCI
10 to perform this function. ORS would note that in LG Rebuttal Exhibit 1 on page
11 2 of Ms. Georgiev's rebuttal testimony the proposed increase in the notification
12 fee is not included. In UUCI's application, the company correctly included the
13 proposed increase of the Notification Fee in the Miscellaneous Revenues
14 category. ORS is concerned that UUCI is attempting to recover the same
15 administrative and clerical costs twice with the increase in the customer
16 notification fee.

17 **Q. DOES THAT CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

18 A. Yes it does.